

Message Text

CONFIDENTIAL

PAGE 01 BOGOTA 04005 021329Z

51

ACTION ARA-06

INFO OCT-01 SS-14 ISO-00 NSC-05 NSCE-00 SP-02 EB-03 INR-04

L-01 /036 W

----- 002139

R 302137Z APR 75

FM AMEMBASSY BOGOTA

TO SECSTATE WASHDC 8415

C O N F I D E N T I A L BOGOTA 4005

LIMDIS

EO 11652: GDS

TAGS: EFIN CO

SUBJ: GOC POLICY ON FOREIGN BANKS

REF: BOGOTA 1876

1. SUMMARY. ON APRIL 28 FINANCE MIN BOTERO LUNCHEONED WITH FUTURE DEPUTY ASST SEC FISLOW, AMBASSADOR AND ECON COUNS. DURING CONVERSATION BOTERO SAID GOC WAS SERIOUS IN ITS INTENT TO CONVERT FOREIGN BANKS IN COLOMBIA TO MIXED ENTERPRISE. SO FAR IT HAS TRIED TO BE REASONABLE AND MODERATE AND HENCE HAD "INVITED" THE BANKS THEMSELVES TO PROPOSE WAYS OF ACHIEVING THE OBJECTIVE. ANYTHING REASONABLE WILL BE ACCEPTED AND INDIVIDUAL REQUIREMENTS TAKEN INTO ACCOUNT. THE GOC WILL RESORT TO MANDATORY LEGISLATION IF FORCED TO, HOWEVER, ALTHOUGH THIS WOULD NOT BE HELPFUL TO ANYONE SINCE MUCH MORE RESTRICTIVE, NATIONALISTIC LEGISLATION WILL RESULT IF CONGRESS GETS INTO THE ACT. BOTERO ALSO SAID THAT GOC CONCEPT WAS THAT EVENTUALLY ALL FOREIGN INVESTMENT SHOULD BE REDUCED TO MINORITY POSITION, ALTHOUGH THERE WAS NO TIMTABLE OR HURRY FOR THIS. IN EFFECT THEREFORE MIN INDICATED GOC HAD ADOPTED A CONCEPTUAL DECISION TO IMPLEMENT DIVESTMENT, AND WE BELIEVE SITUATION MUST BE VIEWED IN THOSE TERMS, VIZ., HOW DOES USG REACT TO OR HANDLE PRINCIPLE OF DIVESTMENT. END SUMMARY.

2. DURING FRUITFUL, FRANK AND INFORMATIVE LUNCHEON CONVERSATION APRIL 28 WITH AMBASSADOR, DR FISHLOW AND ECONCOUNS SINN, FIN
CONFIDENTIAL

CONFIDENTIAL

PAGE 02 BOGOTA 04005 021329Z

MIN RODRIGO BOTERO SAID THAT HE WANTED TO ALERT DR FISHLOW TO A

PENDING PROBLEM INVOLVING US BANKS ESTABLISHED IN COLOMBIA. HE THEN OUTLINED THE GOVT'S ACTIONS TO DATE (REFTEL) TO NEGOTIATE CONVERSAION OF ALL FOREIGN BANKS IN COLOMBIA TO MIXED ENTERPRISES WITH MAXIMUM OF 49 PERCENT FOREIGN OWNERSHIP. BOTERO SAID IT WAS VERY IMPORTANT TO AVOID ANY MISUNDERSTANDING RE THE GOC'S DETERMINATION TO IMPLEMENT THIS POLICY. ALTHOUGH THE DECREE THAT HAD BEEN ISSUED WAS NOT MANDATORY AND SIMPLY PROVIDED FOR NEGOTIATIONS BETWEEN BANKS AND A COLOMBIAN COMMISSION IT DID IN FACT EXPRESS GOVT POLICY. THE GOC WAS DETERMINED TO CARRY OUT THE POLICY EVEN IF IT MEANT OBTAINING A MANDATORY LAW FROM THE CONGRESS.

3. ALL OF THE FOREIGN BANKS, EXCEPT BANK OF AMERICA AND FIRST NATIONAL CITY, HE CLAIMED, HAD AGREED TO COOPERATE. THE MIN SAID HE WANTED TO EMPHASIZE THAT THE ONLY OPTIONS OPEN TO THE BANKS WERE TO COMPLY WITH THE GOC POLICY OR TO CEASE OPERATIONS. THE GOVT WOULD SINCERELY REGRET IT IF THE BANKS CHOSE THE LATTER BUT THOSE WERE THE OPTIONS. BOTERO ADDED THAT THE GOC WAS COMPLETELY FLEXIBLE AND UNDERSTANDING AS FAR AS MECHANISMS AND PROCEDURES WERE CONCERNED. ANY REASONABLE PLAN AND TIME FRAME WERE ACCEPTABLE. THE RESOLUTION ISSUED WAS MEANT TO BE A FRIENDLY, REASONABLE AND MODERATE WAY TO ACHIEVE THE GOAL. BUT THE BASIC POLICY WOULD NOT BE CHANGED.

4. THE MIN SAID HE DID NOT THINK IT WAS IN THE BANKS' INTEREST TO FORCE THE GOC TO RESORT TO SEEKING LEGISLATION BECAUSE IT WOULD LIKELY BE MUCH MORE NATIONALISTIC AND RESTRICTIVE THAN THE 49/51 PERCENT CRITERIA IN THE EXISTING DECREE. HE NOTED THAT ANDEAN PACK DECISION 24 SPECIFIED A 20/80 PERCENT RATION OF FOREIGN TO NATIONAL CAPITAL FOR BANKING INSTITUTIONS.

5. BOTERO ALSO SAID HE WANTED DR FISHLOW AND THE AMBASSADOR TO KNOW THAT THE GOVT'S POLICY CONTAINED NO ELEMENTS OF NENOPHOBIA ANTI-IMPERIALISM, ANTI-AMERICANISM OR OTHER SUCH "NONSENSE". HE SAID THE GOC WAS CONVINCED THAT 100 PERCENT FOREIGN-OWNED SUBSIDIARIES COULD INEVITABLY LEAD TO INTERNATIONAL FRICTIONS AND THAT THE FORMATION OF MIXED ENTERPRISES WOULD BE IN OUR MUTUAL LONGER-TERM INTEREST. HE ALSO SAID THAT GOVT'S EFFORTS TO PROMOTE GREATER CAPITAL FORMATION WOULD MAKE BANKS AND OTHER FINANCIAL INTERMEDIARIES HIGHLY PROFITABLE AND THAT THIS ONLY

CONFIDENTIAL

PAGE 03 BOGOTA 04005 021329Z

COULD BE JUSTIFIED IF THE INSTITUTIONS WERE CONTROLLED BY COLOMBIAN NATIONALS. AS FOR RECIPROCITY, THE MIN SAID THAT COLOMBIAN BANKS OPERATING ABROAD WOULD HAVE TO SUBMIT THEMSELVES TO LOCAL LAWS AND REGULATIONS, INCLUDING FORMATION OF MIXED ENTERPRISES IF REQUIRED.

6. THE MIN THEN EXTENDED THE REMARKS HE HAD MADE RE THE BANKS TO ALL FOREIGN-OWNED ENTERPRISES AND DECLARED THAT IT WAS IN

FACT GOC POLICY EVENTUALLY TO CONVERT THEM ALL TO MIXED ENTERPRISES. THERE WAS NO TIME TABLE AND NO HURRY, BUT CONCEPTUALLY THE DAY OF 100 PERCENT FOREIGN-OWNED EQUITY HAD PASSED. THE ONLY POSSIBLE EXCEPTION HE SAID MIGHT BE INVESTMENTS FROM ANDEAN PACT COUNTRIES SUBJECT TO APPROPRIATE SAFEGUARDS AND STRICT AND EFFECTIVE RECIPROCITY.

7. COMMENT: THIS IS THE FIRST TIME THE MINISTER HAS MENTIONED THE POSSIBILITY OF CONVERTING FOREIGN INVESTMENTS OUTSIDE THE FINANCIAL SECTOR TO MIXED ENTERPRISES; AND CERTAINLY THE GOC

HAS NOT YET PUBLICLY ANNOUNCED ANY SUCH POLICY. THIS WAS CLEARLY MORE AN EXPRESSION OF PHILOSOPHY THAN AN ACTIVE PLAN. AT THE SAME TIME HIS REMARKS WERE CLEAR AND DIRECT AND ALTHOUGH DELIVERED IN A CALM, AND MATTER-OF-FACT WAY OBVIOUSLY REPRESENT VERY KEENLY HELD CONVICTIONS. AS THE KEY MEMBER OF THE GOC ECONOMIC TEAM WITH CONSIDERABLE INFLUENCE ON PRESIDENT LOPEZ, THE MINISTER IS IN A GOOD POSITION TO CONVERT HIS VIEWS INTO GOVT POLICY.

8. WE BELIEVE THIS MATTER SHOULD BE VIEWED CAREFULLY AND IN PERSPECTIVE. IT WOULD BE A MISTAKE TO REACT TO IT AS A NARROW PROBLEM OF "NATIONALIZATION", OR EVEN MORE NARROWLY AS A PROBLEM BETWEEN GOC AND TWO SPECIFIC AMERICAN FIRMS. WHAT IS POSED HERE, OF COURSE, IS A POLICY DECISION TO IMPLEMENT THE CONCEPT OF DIVESTMENT. THAT CONCEPTUAL DECISION HAVING BEEN TAKEN, WHICH DEMONSTRATED HERE IS AS MODERATE AND FAIR AN IMPLEMENTATION OF THAT CONCEPT AS ONE COULD EXPECT. THE ISSUE FOR US THEREFORE IS HOW IS THE US TO VIEW AND HANDLE THE OVERALL CONCEPT OF DIVESTMENT, ESPECIALLY IN AS MODERATE A FORM AS THIS.
VAKY

CONFIDENTIAL

NNN

Message Attributes

Automatic Decaptioning: Z
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: LAW, NATIONALIZATION, BANKS, FOREIGN INVESTMENTS, DIPLOMATIC DISCUSSIONS
Control Number: n/a
Copy: SINGLE
Draft Date: 30 APR 1975
Decaption Date: 28 MAY 2004
Decaption Note: 25 YEAR REVIEW
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: GolinoFR
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1975BOGOTA04005
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Film Number: D750154-0854
From: BOGOTA
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1975/newtext/t1975041/aaaaaaml.tel
Line Count: 145
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION ARA
Original Classification: CONFIDENTIAL
Original Handling Restrictions: LIMDIS
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: LIMDIS
Reference: 75 BOGOTA 1876
Review Action: RELEASED, APPROVED
Review Authority: GolinoFR
Review Comment: n/a
Review Content Flags:
Review Date: 05 SEP 2003
Review Event:
Review Exemptions: n/a
Review History: RELEASED <05 SEP 2003 by ShawDG>; APPROVED <17 NOV 2003 by GolinoFR>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
05 JUL 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: GOC POLICY ON FOREIGN BANKS
TAGS: EFIN, CO, US, (BOTERO MONTOYA, RODRIGO), (FISLOW)
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 05 JUL 2006